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Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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Gold Circles Redone, Get Race Track

COLUMBUS, Ohio—Three more Gold Circle stores here have been given the chain's new prototype look, a look which has evolved substantially from the original effort made a year ago at the West Broad Street store.

The remodels of the Morse Road, South Hamilton Road and Olentangy Road stores were completed in the last few weeks, but finishing touches and new-again planogramming for housewares and hardware have clerks and customers stepping over mounds of merchandise in the aisles.

The new look includes a full-blown race track, which widened some aisles from eight to 12 feet, taking up so much space that departments were contracted somewhat even though the back wall of the store was moved back; more vertical emphasis on display and storage; a wider range of fixtures and merchandisers, and an architectural theme of mirrored cornices which emphasizes departments without pulling the ceiling down.

These are areas which differ from the original prototype. (Although the West Broad and South Hamilton Road stores, for example, are basically alike, the latter is left-handed, with junior apparel at the front corner of the building, and missy sportswear at the front corner inside the race track, an adjacency transposed in the first prototype.)

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These single-tier, back-lighted curtain displays in the remodeled Gold Circle, South Hamilton Road, Columbus, Ohio, are a departure from the original West Broad Street prototype, where a double tier of displays reached to the ceiling. *(DSN photo)*

Prez Litwak, Sliney, Quayle Out As FedMart's Door Still Revolves

SAN DIEGO—FedMart, which seemed to be recovering from its severe turnover at the middle- and upper-management levels, has been rocked by the sudden termination, after only five months, of president Bernard Litwak, followed by the resignation of executive vice president (financial) William Sliney.

The departure of the chain's top operations and financial executives follows closely on the heels of the loss of its top merchandising executive, executive vice president Robert Quayle. Litwak, Sliney and Quayle were not available for comment at presstime.

The flurry of resignations and firings resulted from FedMart's performance in the fiscal year just ended—a loss of $6.3 million—and disagreement between vice chairman Heinz Gundlach and Litwak on marketing strategies.

"Litwak was brought in to improve our hard lines and soft lines business, and our sales promotion program," said Gundlach.

"Because it became apparent that the anticipated improvements would not materialize—in fact, the situation deteriorated in a dramatic way—and at

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Discount Chairmen's Raises Drop Sharply in '80 After Big 2-Year Hike: NMRI Poll

Nationwide DSN Report

Salary increases among discount chain chairmen slowed sharply in 1980 following a big two-year jump, according to the latest NMRI semiannual compensation review.

Compensation levels for other employees—from top-level merchandise and operations executives to store-level management—increased at varying percentages, but stayed proportional to the total volume of the chain.

Chairmen of discount chains with volume in excess of $300 million earned an average of $264,000 in 1979, reflecting a 56% jump in base salary (to $185,000) over the average base in 1977.

The average 1980 base salary for this highest-paid group of chain store executives rose to $193,000, a 4.3% gain.

This compensation data and more are contained in the just-released National Mass Retailing Institute Compensation Survey, a semiannual research project which alternates with the NMRI's Perquisites Study, which will be compiled during 1981.

Chairmen of smaller discount chains—those with volume in the $100 million-$300 million range—received an average base salary of $141,000 in 1980, up $6,000 from the 1979 average base of $135,000, which represented a 21.7% gain from the 1977 NMRI Compensation Study.

Chairmen of the smallest group of chains, with sales under $100 million, made up in 1980 for a small decrease in average compensation recorded in 1979. The 1979 base salary average of $85,000 for chairmen in these companies was 1.5% lower than in the 1977 study, but the 1980 base average jumped almost 30%, to $110,000.

Salaries paid to senior merchandising executives also reflected the total volume of chains reporting. The average 1980 base salary reported for

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Compensation in Mass Retailing 1979/80 For Firms With Annual Sales Over $300 Million

POSITION	Average 1979 Base Salary	Average 1980 Base Salary
Chairman	$185,000	$193,000
President	168,500	172,000
Sr. Admin. Exec.	72,100	74,500
Sr. Merch. Exec.	92,500	97,800
Sr. Oper. Exec.	73,800	75,000
Sr. Finance Exec.	71,000	73,100
Sr. Pers. Exec.	55,100	62,500
Top Real Estate Exec.	61,000	62,800
Treasurer	80,000	83,500
Controller	51,000	49,700
Secretary	44,300	47,600
Sr. Legal Exec.	96,000	102,000
Sr. Advert. Exec.	42,500	41,900

Touche Ross/DSN Series Improved

Because of heavy enrollment and reader response, *Discount Store News* and Touche Ross are updating and improving the Discount Management Development Series.

Code numbers will be eliminated in the new procedures, and students will instead be tracked through a computerized alphabetical file at Touche Ross headquarters.

Starting Jan. 1, 1981, the series will appear monthly in *Discount Store News*, and each segment will include a test. The case studies which have appeared in alternate issues will be discontinued.

At the same time, the requirements for a Level I certificate of completion will be increased from six consecutive tests to 12. An advanced achievement award will be presented to students who later successfully complete 24 consecutive tests.

Those students already enrolled in January will receive their Level I certificates after completion of six tests, and can qualify for the advanced certificate after successfully completing an additional 12 consecutive tests.

Commentary on which questions in a test proved the most difficult—that is, were answered incorrectly by the most people—and other feedback from the test results will be included in the monthly series.

Finally, *Discount Store News* will publish the names of all students who have successfully completed six, 12 or 24 consecutive tests. We will begin by listing, retroactively, the names of students who have already earned a certificate.

* * *

The Touche Ross/DSN Discounter Management Development Series lesson appears on p. 6.

A First: Service Merchandise Hatches Toy Stores

NASHVILLE—Service Merchandise has become the first cataloger to spin off a specialty store from its showroom operation.

Two The Toy Store units have been opened as a test of toy, sporting goods and juvenile product merchandising, using a mass-display, self-service format and a broad-assortment concept similar to that of other toy specialty stores.

A 61,725-sq.-ft. specialty unit is in Nashville, adjacent to the 54-acre One Hundred Oaks regional mall. The store uses about 35,000 sq. ft. for selling space and the remainder as a warehouse and office area.

A 26,500-sq.-ft. unit is in Louisville, Ky., adjacent to the Service Merchandise showroom that is across from the 67-acre The Mall regional shopping center.

Service Merchandise executives said that the move into toy/sporting goods specialty stores was "a natural extension of our merchandising." One official acknowledged that other hard lines specialty stores are a possibility "but we have to do one thing at a time."

The cataloger is using its regular buying and operational staff to run the two stores. A few distributors have been added to the staff to handle reorders and transfers of goods for the specialty stores.

The two units aren't identified with Service Merchandise in any way. A Teddy Bear is used as The Toy Store symbol on store signs.

Lack of a cross-identity with Service Merchandise enables the cataloger to follow a merchandising and pricing program for The Toy Store different from that of its showrooms, executives noted.

Service Merchandise has about 3,000 sku's in its showrooms. The focus is on fast-turning, top-selling items, which are offered at sharp prices that meet the low prices of toy specialty stores and are under the everyday tag of discounters. Toys, sporting goods and juvenile products are mass-displayed along with hardware and automotive accessories in a separate section with its own central checkouts.

(Continued on page 19)

Discount Store Data To Be Broken Out By Census Bureau

WASHINGTON—The Bureau of Census will, in 1982, break out published department store data for conventional, national chain and mass merchant (discount) stores.

This is in response to an industrywide effort initiated in 1978 to obtain more useful and meaningful Government data covering the retail sale of soft goods, Dan Thornton, manager, Textile Economy and Environment at Du Pont, said. (Thornton had a major role in bringing about the change.)

Instead of the former Standard Industrial Classification (SIC) 531—which classified all conventional, national chain and mass merchant stores together—beginning with the March 12, 1982, census information will be gathered separately for the three types of retailers.

"The main benefit is that each group will see what happens to its businesses and its competitors' businesses," Thornton said. "Indirectly, the Government will have a better handle on what's happening to retailers."

With the new reporting system, inventory and sales figures will be recorded monthly, possibly as early as the second half of 1982, in the bureau's monthly retail trade report.

The bureau will also publish preliminary results of the 1982 Census of Retail Trade by the new categories in late 1983, with final data to be released around August 1984, said Tyler R. Sturdevant, chief of the Census Bureau's business division.

A second objective, which was part of the original effort, is yet to be achieved. A breakout of sales and inventories between durable and nondurable goods (with the eventual objective of further breaking out apparel, home furnishings and carpets from other nondurables) is still on the drawing board, Thornton explained.

There it will remain until smaller chains develop systems like those already at work at most major chains to make monthly sales and inventory reports by store location—a process which could take several more years, Thornton added.

This display of carbonated soft drinks at a Houston FedMart is larger than usual, but shows the commitment of many discounters who like the product's turns and ROI. *(DSN photo)*

15% Rise Expected This Year

Discounters' Soft Drink Sales Erupt: DSN Study

Nationwide DSN Report

Discounters are expecting a 15% jump in soft drink sales in the current fiscal year, bringing average store sales to $9,913.

By 1984, a further rise of 25% is anticipated, boosting the store average to $10,656.

And by 1986, say discounters, the average store will be selling $11,632 worth of powdered soft drinks, and carbonated beverages in bottles and cans.

These are some of the findings of soft drink market research just completed by Lebhar-Friedman Research, a division of *Discount Store News*' parent company.

The research included input from senior merchandising executives from chains operating 2,752 discount department stores. Each of the divisional merchandise managers, vice president/merchandise managers, general merchandise managers and buyers responding to the survey was questioned about the criteria which are used to make the decision to carry soft drinks.

Of primary importance was the traffic-generating capability of the category, followed by high consumer brand recognition and by the deals and allowances offered by the suppliers.

Following in importance were such concerns as having a quality image, return on inventory investment, product packaging and the need for flexible supply policies.

Also listed by the executives as important considerations were profit dollar return from the category, the help of suppliers' sales reps, maintenance of the displays, reorder policies, availability of space, growth potential for soft drinks in discount department stores, and dealing with bottlers.

The major objections to carrying soft drinks included low markups and profit margins (mentioned by 50% of the respondents), space considerations, dealing with bottle returns, and developing a grocery store image.

The space allotted by the respondents to each of the subcategories of soft drinks ranged from 8.1 linear feet (13.25 sq.

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Framed Gold Ingot Charms Hot, Take Up Slack in 14K Chain Biz

Nationwide DSN Survey

Framed gold ingot charms, especially in the 1-gram, 14 karat denomination, are rejuvenating the fine gold jewelry business for discounters as 14 karat chain sales continue to slide.

While chains are off in unit sales at discounters including Caldor and Gold Circle, the ingot charms will remain hot at least through the holiday period and probably through the end of 1981, buyers agreed.

The ingot charms, 14 karat copies of the 24 karat ingots offered by the Credit Suisse Bank, have three strong drawing points, sources said: They spice up a category too-long dominated by 14 karat chains; because they are marked ".585 fine gold" instead of stamped "14 karat" they offer consumers an identifiable value in the face of a variable gold market and diminishing dollar; and at under $30, the charm is at a key price point.

Consumer response was described by one buyer as already "astronomical"—and the charm has been out of test stages and into most stores only a few months.

"We sold far more than we projected in our first promotion, which was in September," a Gold Circle spokesman said. "We air-freighted in a large quantity to meet the demand, and we still took rainchecks," which are being filled even now, as the chain considers expanding into 2.5 gram charms.

"We're really going after the item, and I don't see an end to the business," he said.

"This year it will be our best item," said Steve Preuss, divisional merchandise manager at Caldor, which was set to break its first ad around presstime. "It's part of the whole collectibles [small gold charms, chains, amulets and bracelets] series. We see it continuing into the second half of '81," he added.

Both buyers said charms were taking up some of the department's sales slack created by a drop-off in 14 karat sales of chains. While dollar volume is about even with last year's sales of chains, thanks to an almost doubled price of gold, unit sales dropped dramatically at Caldor.

At Target, buyer Roger Ebeling pointed out that chains continued strong, though sales for the item may have "peaked out." Both Target and Gold Cir-

(Continued on page 20)

New Ames Planned

ROCKY HILL, Conn.—Ames Department Stores Inc. announced that construction will begin in Southwick, Mass., this fall for a new mall-site store scheduled to open in March 1981. The new store, one of 13 planned by the 123-unit chain for 1981, will be the fourth in the state and a sister store to existing Sturbridge and Westfield branches.

Guided Giant Retailer's Switch to Discounting

Newgent, President of T.G. & Y., Is Dead at 54

OKLAHOMA CITY—Jim Newgent, president of T.G. & Y., is dead at 54 following a long illness.

Newgent, who assumed the T.G. & Y. presidency in 1978 after more than 30 years with the company, is generally considered a systems genius who guided the giant, 900-plus-store chain on its current course toward becoming a $3 billion discounter by 1985.

This course is outlined in the Five Year Plan which Newgent was instrumental in introducing into the chain's operations. It will guide the company in its final transformation from a variety store operation into a mass merchandiser on a grand scale.

Jim Newgent

Joined in 1946

Newgent, who entered retailing early in his life, joined the then variety store chain in 1946 after serving with the Air Force in World War II and working six months for S. H. Kress & Co.

His only departure from retailing was a one-year sojourn as a salesman, which he described in an interview with DSN as half his usual work, "but hardly any fun."

A primary concern and pivotal point in the implementation of the Five Year Plan, was his belief that for a chain to thrive, the responsibilities of the chain's hundreds of store managers must be made more manageable.

"If we are going to continue to attract talented people we must make it possible for a store manager to do his job in 40 hours," he said on more than one occasion, insisting that until that goal was achieved, he could not in "good conscience" prompt his sons to take up retailing.

A former assistant store manager and district manager who put in more than his share of 60- and 70-hour weeks, Newgent built his concern for people into the scope of the Five Year Plan.

The Management Development Conference (MDC)—a series of weeklong seminars designed to teach store managers how to better delegate orders and implement policies as they originated at headquarters—was a pet project of Newgent's.

Used Harvard Approach

"A lot of retailers might not see the value of a program like that," recalled one employee, who said that the model for the MDC came out of a 1969 issue of the *Harvard Business Review.*

Newgent was a strong proponent of the Harvard Business School management-by-objective style, and those ideas became even more important to him, co-workers said, after he attended a three-month seminar for top executives at the university in the mid-1970's.

Newgent is survived by his wife, Janie, and his sons, David and Gary.

In This Issue...

HARRIS POLLED. After 14 years of service at Lucky Stores, Peter L. Harris was named president of its billion-dollar discount division, Gemco/Memco, this year. P. 7.

CHEMICAL REACTION. Chain buyers predicted a quiet APAA show with few innovative items or hot new sellers. With better packaging and clearer presentations, they said, chemicals will be the greatest growth market in automotive this year. P. 23.

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FedMart

(Continued from page 1)

the urging of many long-time FedMart executives, I decided to terminate Mr. Litwak."

The chain's performance in its fiscal year just ended—a loss of $6.3 million—was attributable, said Gundlach, to Litwak's decision to move away from a heavy television ad program (instituted by Gundlach several years ago) and into newspaper inserts, and by the timing of the inserts, with which Gundlach disagreed.

"Litwak came into a break-even situation, and now we have losses again," continued Gundlach. "He stubbornly refused to change back to what had been a successful program in the past. He had no program, no direction to reverse the trend."

Sliney's resignation was "expected" by Gundlach, who "remains good friends" with the financial executive. Gundlach also "remains friendly" with Quayle, and "sees him often," but the vice chairman would not comment on whether or not Quayle may return to FedMart now that Litwak is gone.

The firing of Litwak lends credence to a rumor—confirmed by one executive who was contacted by FedMart at the time—that Litwak's job was being offered around just weeks after he was hired.

The Background

The chain's revolving door in middle and upper management has been spinning since owner and chairman Hugo Mann and his American man, Gundlach, came into the picture at FedMart. It slammed behind FedMart president and founder Sol Price in 1975, shortly after Mann acquired the chain. It became a blur just after the Two Buys West acquisition, and it has been turning steadily since.

Gundlach hotly denies a consistent turnover problem, but the fact remains that the only consistent management at FedMart over the years has been Gundlach.

Litwak is reportedly bitter over the firing, pointing out that a turnaround of a company the size of FedMart takes years, not months.

Litwak will also reportedly take FedMart to court if it does not honor the terms of his contract, a three-year deal for $250,000 a year plus fringe benefits. But the contract has a performance clause, according to Gundlach, who seems ready to contest any suit by Litwak.

The chain reported losses of $4.7 million in its fourth quarter, ended Aug. 31, compared to a $2.7 million profit in the fourth quarter of its previous fiscal year. Sales for the quarter rose to $325.9 million from $305.9 million.

Sales for the year, including food, reached $1.06 billion, and the loss of $6.3 million followed an $11 million loss the year before.

More Important Role

Two of the chain's remaining executive vice presidents—David Doten (operations) and Edward Maron (food and sundries) will divide some of Litwak's duties. Doten (stores, warehouses and transportation), and Maron (buying, advertising and sales promotion) will be joined by Gundlach ("coordinating administrative and financial as I always have") in filling the vacant presidency.

Soft Drinks

(Continued from page 2)

ft.) for the powdered drinks, to 8.4 linear feet (25.75 sq. ft.) for canned drinks, and 19.6 linear feet (41 sq. ft.) for bottled soft drinks.

Of the $9,913 per-store sales of soft drinks expected in this year, $8,425 will come from carbonated products and $1,497 from powdered (the figures are rounded off). Sales of the carbonated products are expected to gain 25% by 1984, while powdered drinks are expected to rise 19% in the same period.

Projecting the data contained in this first-ever research of the soft drink market shows total discount department store soft drink sales of $70.3 million in 1979; $82 million in 1980, and $87 million by the end of 1984.

Correction

Union Carbide was the first-place winner of a SPARC award in the automotive category. In the Oct. 20, 1980, DSN, a caption accompanying a photograph of Union Carbide director of sales Dave Nicolas receiving the award mistakenly identified his company as Lee Filter. DSN regrets the error.

Compensation

(Continued from page 1)

senior merchandisers at small chains was $58,000, while those employed by medium-size chains received an average of $71,000 and those employed by the largest chains got an average base of $97,800 in 1980.

Senior operations executives trailed their merchandising cousins by substantial amounts; in small, medium and large chains, respectively, they received average 1980 base salaries of $44,000, $55,000 and $75,000, putting them 23.3% lower than top-level merchandise executives.

The NMRI study, which is based on returns from 58 firms, with 3,790 stores doing a combined volume of $12.5 billion in 1979, has 1979 and 1980 averages for more than 70 categories of employees, from chairmen to assistant store managers and exempt department heads where applicable.

Store management figures are broken out by store volume groups ($1 million-$3 million, $3 million-$5 million, $5 million-$7 million and over $7 million), and the entire study, as indicated above, is broken out by total chain volume, i.e., under $100 million, $100 million-$300 million and over $300 million.

A fourth section provides the overall averages for all chains in 20 categories of senior management. This section reveals double-digit salary gains for most (with chairmen of the board highest at an average gain of 29.5%) and a decrease for only one category—corporate secretary, down 1.4% from the 1977 study findings.

In the composite figures, after chairmen and presidents ($148,000 and $134,500 average 1980 bases respectively), and senior administrative, merchandising and legal executives ($74,850, $75,600 and $78,900 respectively), the 1980 base averages drop quickly to the mid-$50,000 range and lower.

Additional copies of the NMRI Compensation Study are available to members for $45 (the first copy is free), while the fee to nonmembers is $65 each.

Compensation For Store Management (Chains With Annual Sales of More Than $300 Million)

	Average 1979 Base	Average 1979 Bonus
Store Mgrs. Vol. $1-$3 Mil.	$19,450	$4,000
Vol. $3-$5 Mil.	22,400	4,500
Vol. $5-$7 Mil.	25,800	6,000
Vol. Over $7 Mil.	31,000	9,300
Assistant Mgrs. Vol. $1-$3 Mil.	14,800	2,250
Vol. $3-$5 Mil.	16,900	2,500
Vol. $5-$7 Mil.	17,400	2,800
Vol. Over $7 Mil.	19,200	4,000

The percentage of total compensation derived from the bonus ranged from a low of 14.8% for some assistant managers to a high of as much as 35.9% for managers of the largest stores. (NMRI Research)

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